SPECIAL AUDIT

NORTH PORTAGE DEVELOPMENT CORPORATION

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REPORT OF THE OFFICE OF THE PROVINCIAL AUDITOR

Mandate and Objective

On January 31, 1990, the Minister of Finance requested that we conduct a special audit of North Portage Development Corporation (NPDC, Corporation), particulary as it related to the use of public funds in the development of the Place Promenade Complex (Complex).

The objective of the review was to:

1. Determine the various financial arrangements regarding the Complex and other facilities and their status at the time the special audit was requested.
2. Determine the value of the asset created compared to the equity of the developer and the debt attached to the asset.
3. Determine where the decisions were made and the information available to make the decisions.
4. Determine if prudent investment practices and procedures were followed by NPDC and Manitoba Housing and Renewal Corporation (MHRC) in making loans.
5. Recommend improvements respecting general financial reporting and accountability for the use of public funds.

Scope of Review

We carried out the review to attempt to answer questions raised. During our review, we paid careful attention to matters raised by Members of the Legislative Assembly and the media, but did not limit our review to these matters. Our review included an examination of pertinent documentation and an extensive number of interviews, as listed in Exhibit 1. We wish to thank those individuals listed in Exhibit 1 for their cooperation and assistance.

Background

Like other cities in North America, the Core area of Winnipeg has long been recognized as requiring revitalization to return it to being a prosperous area which could better contribute to the economic health of the City. In earlier years, major undertakings such as the Centennial Concert Hall, the Manitoba Theatre Centre, the Museum of Man and Nature and the Planetarium, together with the new City Hall were built to enhance the Main Street section of the Core area of the City. More recently, other enhancements have included redevelopment of the area west of the City Hall. In the more central Core area of the City, improvements have included new residential development and the relocation and construction of new buildings for the provincial laboratory and the provincial garage.

In 1981, the three levels of government, the City, the Province and Canada, entered into an agreement to address the problems of Central Winnipeg - the Core Area Initiative. Within the Initiative, funds were assigned to trigger major redevelopment on the North side of Portage Avenue. A comprehensive development proposal was produced.

In March 1983, the comprehensive proposal was advanced for the redevelopment of North Portage. The proposal raised a number of concerns and it became apparent that a review of the redevelopment proposal was required. In May 1983, the three levels of Government agreed in principal to commit to redevelop the North Portage area. A tri-level administrative task force was established to review proposals, plans and procedures developed and to recommend a specific course of action. The task force consisted of two senior officials appointed by each of the levels of Government. The task force invited interested parties to present their ideas and plans. The task force met with interested parties, held a public forum and reviewed the development proposals received. The task force also reviewed downtown redevelopment in certain other North American cities.

The task force's recommendations included the establishment of a community development corporation to implement the accepted development proposal. The three levels of government would be equal shareholders in the community development corporation which would be run by a board of ten directors. Each shareholder would appoint three directors and the tenth director, who would be chairperson, would be jointly appointed. A community development corporation, known as the North Portage Development Corporation, was established on December 13, 1983.

The work of the tri-level administrative task force led to a Unanimous Shareholders' Agreement signed December 16, 1983 by the three levels of Government. The Unanimous Shareholders' Agreement sets out the funding arrangements and the parameters of operation for NPDC. The Corporation was funded as follows:

- Each shareholder contributed capital of $22 million.
- The shareholders agreed collectively to transfer $5 million to the Corporation pursuant to Program Seven of the Core Area Initiative Agreement.
- In addition, NPDC was given authority to borrow $5 million, and could increase this to a maximum of $20 million over the first five years.

The first operating responsibility of NPDC was to develop a final concept and financial plan for the North Portage redevelopment. The Corporation was given 100 days from December 16, 1983 to develop and submit the plan to the shareholders, for their approval. The required material was provided on March 26, 1984 and was accepted unanimously by the shareholders.

The Corporation's objective is to provide a mechanism for implementing the redevelopment of the North Portage area. NPDC is to implement the redevelopment

through a combination of investments by NPDC, the private sector, institutions and governments. NPDC has been operating to discharge its mandate. Exhibit 2 documents NPDC's original objectives and the accomplishments to date. Exhibit 2-1 sets out the initial proposed cost of the Corporation's objectives per the final concept and financial plan, the actual costs to March 31, 1990 and projected costs to complete, as provided by NPDC.

To start the redevelopment of North Portage, The Government of the Province of Manitoba expropriated land for NPDC. The first $22 million of acquisition costs represented the Province's portion of its contributed capital as per the Unanimous Shareholders' agreement. The expropriated land was registered in the name of NPDC.

The Corporation was provided with the land and had the mandate to develop the land within five years. NPDC initially undertook to have developed a retail shopping mall and a residential housing complex. On October 15, 1984, NPDC invited various developers to participate in this stage of the development program. The Corporation received development submissions from six developers. The submissions included four proposals for the retail shopping mall and five proposals for the residential housing complex. On November 14, 1984, Corporation staff provided the Board of Directors with a summary of the submissions.

Corporation staff subsequently met with the developers individually and provided them with an outline for a final submission. The developers were to provide final submissions by November 30, 1984 for the retail shopping mall and December 14, 1984 for the residential housing complex. Corporation staff and consultants reviewed the final submissions and recommended Cadillac Fairview Limited as the developer for the retail

shopping mall and Imperial Developments (Canada) Ltd., of the Imperial Group of Companies, as the developer for the initial residential housing complex. The Board of Directors approved these recommendations at the December 6, 1984 and February 4, 1985 Board meetings.

Exhibit 3 provides details as to the number of floors, square footage, number of suites, developers, contractors and architects for each of the complexes in the North Portage development area.

Residential Housing

The final concept and financial plan set an objective of 1300 residential housing units. The residential housing in the North Portage area was a priority of the three levels of government.

Place Promenade

Place Promenade is the main residential housing complex in the North Portage redevelopment. This complex consists of five separate buildings containing 376 apartment units, two levels of underground parking providing 500 parking spaces, commercial areas on the ground floor, with common areas and walkways or overpasses.

In January 1985, the Corporation issued a Letter of Intent to Imperial Developments (Canada) Ltd. for the development of this aspect of residential housing. During the next several months the Corporation worked with the Developer in completing the overall plans for Place Promenade. In December 1985, the Developer received written confirmation of the Canada Mortgage and Housing Corporation (CMHC) Canada Rental Supply Program (CRSP) mortgage financing. In March 1986, the Developer received

confirmation that the Manitoba Cabinet had approved its MHRC Rental Start mortgage financing.

On May 6, 1986, companies within the Imperial Group were placed in receivership. As a result, development of Place Promenade was put on hold.

On June 5, 1986, some of the principals of the Imperial Group, formed the Village at Portage Place Housing Ltd. (VAPP). VAPP entered into negotiations with NPDC, MHRC and CMHC to re-instate the development of Place Promenade. We have been advised by officials that intense negotiations took place regarding Place Promenade. Over a year of work and planning had gone into this project with the Imperial Group. NPDC had determined that the concept developed by the Imperial Group was far superior to other proposals submitted. As a result, NPDC felt that this concept should be maintained and that it was important to keep the project on target. Also, as mentioned previously, residential housing was a priority of the three levels of government. VAPP was to carry out the concept and plans developed by the Imperial Group and approved by NPDC. However, because of the financial problems with some of companies of the Imperial Group, MHRC was reluctant to provide mortgage funding to VAPP. MHRC agreed to provide a mortgage if CMHC would insure the mortgage. CMHC agreed to insure the mortgage because security was provided and VAPP agreed to place funds in an escrow trust. The Economic Resource Investment Committee of Cabinet (ERIC) submitted a recommendation to Cabinet for mortgage financing to VAPP on the basis that CMHC insured the mortgage. Cabinet approved the mortgage funding on June 11, 1986. In September 1986, construction of Place Promenade began.

Under the terms of the development agreement and ground lease between NPDC and VAPP, VAPP was to lease lands from NPDC for a 49 year term with 5 subsequent renewal periods each of 5 years duration. As part of the agreement, NPDC advanced funds towards the construction of certain components of the residential housing, the parking structure, a pedestrian overpass and certain site servicing. NPDC was to receive base rents and a share of gross participation income during the term of the lease. At the end of the lease NPDC was to become the owner of the complex.

Per agreements, VAPP placed $6 million in escrow trust. Of the $6 million, $3 million represented VAPP's equity and $3 million was a construction guarantee. The $3 million equity was to be paid out on project costs prior to the release of any mortgage funds.

As agreed, $1 million of the $3 million construction guarantee was returned to VAPP when 95% of the construction was completed. The remaining $2 million of the construction guarantee was to be retained in escrow trust until the end of the initial term of the Rental Start Mortgage (7 years) and it was determined that the project had achieved a positive cash flow at that time.

In January 1989, construction of Place Promenade was essentially complete. CMHC approved and MHRC paid VAPP the final advances under the mortgage. The mortgage agreement provided for a rental achievement holdback of 25% of the amount of the approved mortgage ($4.625 million). This provision was to protect the insurer, CMHC. CMHC's letter of undertaking to insure (UIT) stipulated that the holdback would be released when CMHC and MHRC were fully satisfied that the project generated sufficient rental income, after deducting negative cash flow, to fully offset mortgage service charges and operating expenses and base rent for one year. However, the mortgage agreement

and the UIT also had provision, approved by CMHC's regional and national offices, that because of the size and complexity of the project, the holdback could be released on a building by building basis as each building reached substantial completion (90% complete and 90% occupancy). CMHC's policy required the developer to achieve rental position once and the developer was not penalized for lost rentals after a holdback had been released.

In addition, if the annualized rental from the complex was insufficient to cover the mortgage payments, operating expenses and base rent and the complex was 100% completed, except for seasonal deficiencies, then, the mortgagor (developer) had the right to post letters of credit or cash equal to one years rental deficiency to obtain release of the rental achievement holdback. The Escrow Trust Agreement authorized the mortgagor to utilize a maximum of $500,000 from the Escrow Trust Account to fund the rental deficiency. CMHC was satisfied that the complex had achieved a rental position where the $500,000 available in the Escrow Trust Account would cover one years rental deficiency and approved the holdback releases. The final holdbacks of $1.110 million and $152,600 were approved by CMHC and released by MHRC in December 1988 and January 1989 respectively.

In December 1988, VAPP informed NPDC of a net participation loss on the project during its first fiscal year. In February 1989, VAPP indicated that significant negative cash flows were occurring and produced an independent appraisal that these negative cash flows would continue through the first term (7 years) of the mortgage. In March 1989, VAPP failed to meet certain mortgage payments. In April 1989, VAPP submitted a restructuring proposal that indicated that negative cash flows would be higher than those forecast in the earlier independent appraisal. NPDC and MHRC did not accept the restructuring

proposal because the proposal would have required NPDC and MHRC to heavily fund the workout and the developer would be forgoing payment of its obligations.

Because VAPP was not meeting its mortgage payments, VAPP was in default under the MHRC Rental Start mortgage and was also in default under the provisions of the Ground Lease with NPDC and the NPDC mortgage. In May 1989, NPDC, based on legal advice and approval by its Board of Directors and shareholders, took action to terminate the Ground Lease and initiated foreclosure proceedings under the NPDC mortgage. NPDC effectively took control of Place Promenade and assigned rental income to MHRC. After a number of months and before MHRC's proposed mortgage sale, NPDC brought the mortgage into a current position. NPDC subsequently, on May 17, 1990, acquired title to the complex through its wholly-owned subsidiary, Cityscape Residence Corporation. NPDC contracted with SMI Sunridge Management Inc. to manage Place Promenade. We were advised by NPDC officials that they considered they were under severe time constraints and obliged to take over control of the project without notice to VAPP, thus requiring complete confidentiality. Therefore, they did not go through a public tender process but, instead, requested proposals from three experienced management firms. Two of the three firms submitted proposals which were reviewed by Corporation staff. The management fee per the contract is considered to be competitive. MHRC obtained the $2 million remaining in the escrow trust and applied it against the Rental Start mortgage. (As at February 6, 1990, the mortgage balance outstanding was $16,422,197). NPDC is currently working to improve the financial situation of Place Promenade. They are working to increase occupancy in both the housing units and commercial space. NPDC is also negotiating with MHRC for a workout agreement with respect to the mortgage. NPDC is also attempting to negotiate an indemnification agreement with VAPP.

In reviewing the residential housing aspects of the North Portage redevelopment, it is important to remember that this was basically a revitalization of the North Portage area and not strictly a commercial venture. All proposals received by NPDC required substantial financial assistance from available government programs.

Seniors' Housing Complexes

In February 1986, NPDC initiated proceedings to issue a proposal call for seniors housing. The Corporation received three proposals for senior housing, involving 90% pre-leased, non-profit accommodations for seniors over 55 years of age. After a review of the proposals by Corporation staff, NPDC's Board of Directors approved the Kiwanis Chateau as the initial senior housing complex and Fred Douglas Lodge as the second senior housing complex.

1. Kiwanis Chateau

This complex consists of one building containing residential space, ground floor commercial space and underground parking. NPDC entered into a development agreement with The Kiwanis Club Of Winnipeg Seniors Building Inc. for this complex. Kiwanis retained Leisure Residences (Chateau) Inc. to develop the complex. Under the terms of agreements The Kiwanis Club of Winnipeg Seniors Building Inc. leases the land from NPDC from the start of construction for a 50 year duration with 5 subsequent renewal periods each of 5 years duration and a 6th subsequent renewal period up to a maximum of 18 months. As part of the agreements, NPDC provided non-interest bearing loans to partially fund the actual cost of constructing the parking structures. Funds advanced are non-repayable except for payments of parking rent. NPDC also provided grants for the construction of overpasses. NPDC receives base rents which will escalate during

the term of the lease. At the end of the lease NPDC becomes the owner of the complex.

2. Fred Douglas Lodge

This complex consists of one building containing residential space, ground floor commercial space and underground parking. NPDC entered into a development agreement with Fred Douglas Place Inc. for this complex. Fred Douglas Place Inc. retained Qualico Developments Ltd. to develop the complex. Under the terms of agreements Fred Douglas Place Inc. leases the land from NPDC from the start of construction for a 50 year duration with 5 subsequent renewal periods each of 5 years duration and a 6th subsequent renewal period up to a maximum of 18 months. As part of the agreements, NPDC provided non-interest bearing loans to partially fund the actual cost of constructing the parking structures. The funds advanced are repayable out of net parking income. NPDC also provided grants for the construction of overpasses. NPDC receives base rents which will escalate during the term of the lease. At the end of the lease NPDC becomes the owner of the complex.

3. *Raleigh Apartments*

NPDC also owns and maintains 36 housing units in the existing Raleigh Apartments that NPDC acquired through expropriation. These units will be maintained until such time as this site is ready for further development.

Office Complex

One Canada Centre is a 19 story building, including penthouse, with approximately 252,000 square feet of leasable Class A office space, retail space and a parking structure.

NPDC received a proposal from Lincor Developments indicating that Investors Syndicate Properties Corporation wanted a prominent office building in downtown Winnipeg and were interested in the site on Portage Avenue between Vaughan and Colony. We were advised that NPDC staff evaluated the proposal, negotiated the commercial terms and determined that the offer should be given favourable consideration by the Board, particularly since this project was to be a major headquarters building, largely preleased, that would add considerable credibility to the overall development. The only other proposal to come forward for that particular site was the possibility of a government sponsored festive market, which the Board did not regard as attractive as the Investors proposal. In any event, acceptance of the Investors offer did not rule out consideration of other office building proposals for other suitable sites in the development.

We were informed that the demand at that time for office space in the downtown area was weak, so much so that the Final Concept and Financial Plan, approved by the Shareholders, spoke of the two senior levels of government each leasing 50,000 sq. ft. of office space, if required, as an incentive to attract a 200,000 sq. ft. office building project to the development, and thereby fulfill that part of the NPDC program. On the other hand, the Investors' proposal did not require leasing commitments from government agencies which was attractive to NPDC Shareholders. As a result, NPDC staff determined that the Corporation should not seek competitive proposals because the solicitation and consideration of competitive proposals did not promise to provide equal or better offers. On July 19, 1985, the Board of Directors approved the proposal for the development of One Canada Centre by Investor Syndicate Properties Corporation. On July 22, 1985, NPDC advised the Shareholders of this decision at the annual meeting between the Shareholders and NPDC's Board of Directors.

We noted that the President of Investors Group, was a former member of NPDC's Board of Directors. The President of Investors Group resigned from NPDC's Board of Director's on May 25, 1985. We did not observe any indication of the President of Investors Group participating in any Board discussions relative to the office complex.

Under the terms of agreements, Investors Syndicate Properties Corporation will lease land from NPDC from the start of construction for a 50 year term with 5 subsequent renewal periods each of 5 years duration. As part of the agreements, NPDC provided a non-interest bearing loan to fund the actual cost of constructing a parking structure which is operated by NPDC. NPDC will become the owner of the office complex at the end of the lease. NPDC has the option, but not the obligation, on the 20th anniversary of the lease to sell the land to Investors, at a cost not to exceed $6 million dollars. In addition, at any time during the lease term, should NPDC receive an acceptable offer from a non-government agency to purchase the land, Investors has the right of first refusal of the land purchase on the same terms as the offer. The land and leases can be transferred to another government agency without triggering Investor's first refusal rights. Investors also has the option to buy the parking structure at its original price, following the purchase of the land.

NPDC receives base rents which will escalate during the term of the lease. In addition, from the 11th operating year, NPDC will receive, as participation income, 25% of the net income from space sublet by Investors to third parties.

Portage Place Retail Complex

NPDC entered into agreements with Cadillac Fairview Corporation Limited for the development of approximately 200,000 square feet of leasable retail space in a climate

controlled shopping mall, with underground parking for 1000 cars. Enclosed overpasses provide access to the South Side of Portage Avenue and connect the complex with Eatons and The Bay.

Under the terms of agreements, Cadillac Fairview leases land from NPDC for a 50 year term beginning November 15, 1885 with 5 subsequent renewal periods each of 5 years duration. In addition to providing road and street service improvements required to service the retail complex, NPDC advanced funds to construct the parking structure, overpasses and connections, support structures for future development as well as public amenities that form part of the retail structure. These advances are secured by a mortgage to be repaid during the period of the lease out of participation income of the retail complex.

NPDC receives base rents which will increase during the lease period. In addition, NPDC will receive 50% of the net participation income of the retail project towards repayment of the mortgage until the mortgage is repaid, after which NPDC's share of the net participation income will reduce to 20%.

At the end of the lease period, NPDC becomes the owner of the retail complex.

Cadillac Fairview operates the skywalks, the public walkways and the Edmonton Atrium space within the mall. Cadillac Fairview pays all expenses, security, and maintenance of the public areas and is required to keep the system open for public access from 7:00 a.m. to midnight every day of the year. Cadillac Fairview and NPDC have a committee to jointly decide what use will be made of the Edmonton Atrium.

With respect to the skywalks, Cadillac Fairview paid for the construction of the retail portions and retains the right to lease and manage the operation, signage, etc., of the tenants thereon. Cadillac Fairview also has rights of approval of any connection made to the skywalks, under bridge agreements with the City of Winnipeg and NPDC. This was agreed upon in order to regulate the type of uses that connected to the skywalks in the NPDC development area. To date, Cadillac Fairview has entered into agreements with Eatons, the Bay, and the owners of both NewPort Centre and the Power Building for skywalk connections.

YM/YWCA

NPDC purchased the land and building known as the YM/YWCA and leased the complex back to YM/YWCA for a 50 year term with 5 subsequent renewal periods of 5 years each.

Prairie Theatre Exchange

The Prairie Theatre Exchange was relocated to North Portage.

Financial Arrangements

Exhibit 4 provides details of public funding provided to various parties in the North Portage Development.

Place Promenade

VAPP received its primary funding in the form of an $18,500,000 mortgage from MHRC under its Rental Start II Program. The Rental Start Program is a government program to provide assistance for construction of new residential housing. The mortgage was insured by CMHC. The 8.5% mortgage was for 7 years, renewable for another 5 years. The

mortgage was secured by first rights against leasehold titles of the Developer. Conditions of the mortgage included:

- VAPP placing $6 million in an escrow trust as set out in the background section.
- Provision was made for rental achievement holdback of 25% ($4.625 million) as set out in the background section.
- Advances on the mortgage were to be approved by CMHC on the basis of cost of work in place and upon receipt of architectural and engineering reports certifying that the work conforms to the final approved drawings and specifications, National Building Code, CMHC Technical Builders Bulletins and Residential Standards and applicable municipal and provincial laws.
- The Developer to arrange for consultant inspections and reporting as required by CMHC.
- From time to time the Developer to provide statutory declarations indicating the value of the work completed and the estimated cost to complete the complex thereafter.
- The Developer to provide an assignment of right, title and interest in working drawings and specifications.
- Mortgagee to be provided with a general assignment of leases and rents used in the productions of the residential component income stream of the complex.
- Developer to provide annually an audited revenue and operating cost statements of the operation of the property.

CMHC insured the mortgage. So as not to jeopardize the insurance, MHRC, on the advice of its lawyer, involved CMHC in all aspects of this mortgage. MHRC only released advances as approved by CMHC.

As per the mortgage agreement, CMHC received architectural certificates which certified the completion of the work. CMHC also received reports from the developer's consultants to verify that construction met the structural, engineering and electrical standards. CMHC relied on their technical inspectors who were on the construction site weekly and verified the percent of work completed.

CMHC provided an additional $3,600,000 to VAPP under its Canada Rental Supply Program. CRSP is a government assistance program for new residential housing that provides a maximum of $10,000 per unit. The CRSP mortgage is interest free for the first 15 years and renewable at prevailing interest rates for a further 20 years.

NPDC provided the following funding to VAPP for Place Promenade:

- Mortgage funding of $2,680,000 (paid $2,637,382) at 9.75% to build the lower level parking. Under a parking sublease, NPDC operates the lower level parking and receives all parking income. VAPP was to pay interest on this mortgage equal to rental fee obtained from NPDC for operating the lower level of parking. The mortgage held by NPDC was to protect its interests in the lower level of parking. Principal was to be repaid upon expiration of parking sublease in 75 years.
- Mortgage funding of $1,278,400 (fully paid) at 9.75% for 25 years for partial assistance towards the construction of the upper level parking. NPDC may rent to third parties any spaces not required by the residents.
- Mortgage funding of $600,000 (paid $552,000) at 11.5%, 5 year term, for partial assistance towards the construction of commercial space in the complex.
- Non-repayable grants of $318,181 (paid $185,357) towards the cost of pedestrian overpasses and certain underground services.

NPDC made progress payments under these mortgages on the basis of architectural certificates. The architect's certificates related to the specific areas covered by these mortgages and not the complete complex.

NPDC monitored progress of the construction. NPDC received and reviewed financial reports from VAPP.

NPDC was to receive from VAPP base rent equal to the greater of:

a) the number of opened dwellings multiplied by $360; and

b) the lesser of:

   i) 5% of gross revenue for each operating year

   ii) Gross participation income for each year to a maximum of $720 multiplied by the number of opened dwelling units.

Kiwanis Chateau

The Kiwanis Club Of Winnipeg Seniors Building Inc. received its primary funding for the development of the complex in the form of a $6,381,396 (paid $6,213,070) Manitoba Seniors Rental Start mortgage from MHRC. The mortgage was approved by ERIC. The 7.375% mortgage is for a term of 35 years, renewable every 5 years. The mortgage is secured by leasehold rights and assignments of rentals covering the present and future tenancies. If all covenants and terms and conditions of the mortgage are met, $921,153 of the mortgage is forgivable. This sum does not bear interest. This amount represents about 10% of the estimated project costs. The terms and conditions of this mortgage are similar to the VAPP Rental Start mortgage except that:

- For equity contribution, the National Trust Company shall certify to MHRC the number of executed subleases received and the amount of entrance fee received and paid under each sublease. Kiwanis will provide confirmation of this equity contribution being the amount of $3,709,455 approximately.
- $1 million construction performance guarantee from the contractor.

As at March 31, 1990, the MHRC mortgage is in a current position

Each tenant in the complex was required to provide an entrance fee. The entrance fees were held in escrow trust by the Trustee, National Trust Company. These monies were to be used to fund the monies required to construct the complex over and above the monies advanced by MHRC. In order to protect the tenants, the Trustee executed a second mortgage covering Kiwanis's leasehold interest in the lands in favour of the Trustee, National Trust Company, in the principal sum of $5 million. This mortgage will become due and payable on demand at a rate per annum equal to the prime rate designated by Kiwanis's bank as its prime rate.

NPDC provided funding of $1,479,144 (paid $1,469,825) for the construction of the parking lot. These funds are non-repayable except for an annual parking rental payment of $26,350, adjusted yearly by an inflation factor. The mortgage held by NPDC is to protect their interests in the parking structure. As at March 31, 1990, the annual parking rental is in a current position.

NPDC receives a base rent equal to the number of opened dwelling units multiplied by $360. As at March 31, 1990, the base rent is in a current position.

Fred Douglas Lodge

Fred Douglas Place Inc. received its primary funding for the development of the Fred Douglas Lodge by way of a Manitoba Seniors Rental Start mortgage of $7,977,191 (fully paid) from MHRC. The 8% mortgage is or 35 years, renewable every 5 years. If all terms and conditions of the mortgage are met, $997,274 is forgivable. The mortgage was secured by leasehold rights, a general assignment of rentals, assignment of leases and assignment of warranties and guarantees. As at March 31, 1990, the MHRC mortgage is in a current position.

Similar to the Kiwanis Chateau, tenants of Fred Douglas Lodge paid an entrance fee. These funds, being the tenants' equity, were used to fund the cost of construction in excess of the funding provided from the MHRC mortgage.

NPDC provided funding of $200,000 (paid $192,347) towards the construction of 48 parking stalls. The funds advanced to Fred Douglas Place Inc. are repayable from net parking income. As at March 31, 1990, the payments are in a current position. Also, NPDC was to pay 1/2 half the cost of a garbage collection facility up to a maximum of $16,000 (paid $15,000). NPDC approved a non-repayable grant of $160,000 (paid $156,700) for the construction of a pedestrian overpass.

The development agreement also allowed for a floating charge debenture in favour of the Royal Bank for $3.5 million.

NPDC receives a base rent equal to the number of opened dwelling units multiplied by $360. As at March 31, 1990, the base rent is in a current position.

One Canada Centre

Investors Syndicate Property Corporation financed their own construction of this complex.

Investors Syndicate received $2,518,877 from NPDC for the construction of the parking structure. NPDC operates and receives all income from the parking structure.

NPDC receives a base rent of $200,000 per year which increases by $50,000 per year after the 10th, 15th, 25th, and 35th year to $400,000 in the 35th year. As at March 31, 1990, the base rent is in a current position.

Portage Place Retail Complex

Cadillac Fairview received its primary funding through the issuance of a secured debenture for $56,000,000. This debenture, with interest at 11% payable semi-annually, was issued through Midland Doherty and matures March 25, 1996. The trustee for this debenture is Royal Trust.

NPDC provided a mortgage of $27 million for costs related to the complex. This included $24 million dollars of funding:

- $8,900,000 for partial assistance towards construction of public spaces, amenities, as well as towards support structure and service spaces for NPDC controlled air rights as further detailed below.
- $12,600,000 for the construction of a parking facility. NPDC operates and receives all income from the parking facility.
- $2,500,000 for construction of the non-retail portions of the overpasses.

Plus:

- $3,000,000 as the allocated share for the retail complex's general site development costs.

Cadillac Fairview Corporation Limited is to repay the mortgage as follows:

- Firstly, by annual payments on the last day of each operating year equal to 50% of the net participation income. These payments shall be applied in reduction of the Principal. When the Principal is fully repaid, any portion of the annual payment remaining will be applied in reduction of the accrued interest.
- Secondly, interest at the rate of 5% on the Principal outstanding at the start of each operating year shall accrue, without compounding annually or otherwise and shall become due or payable, without interest, commencing on the date the balance of the principal is fully paid.

With respect to the retail shopping mall, we have been advised that NPDC was responsible for costs of the parking facility, and the Prairie Theatre Exchange shell space, as well as for partial costs of the walkway system and the Edmonton Atrium space. NPDC was also responsible for its share of the support structure, service areas, exits, access lobbies and building services that serve the YM/YWCA expansion, the IMAX Theatre, PTE and the two corner tower pads. Since the construction was, for the most part, integral with the overall construction of the retail complex, the engagement by NPDC of a separate contractor for this work was impractical. NPDC engaged a cost consultant to quantify the cost of the total project and the cost of the work being done on its behalf. NPDC then negotiated an upset price with Cadillac Fairview to have the work executed as part of the overall construction.

While the negotiated work was essentially to NPDC's benefit, rather than making this an outright construction payment, NPDC's interests were protected by a $27 million mortgage covering the $24 million funding to the project, plus $3 million of deemed costs for site development. These mortgage funds, which carry a 5% interest potential, are to be recovered from participation income. NPDC receives 50% of participation rent until the $27 million mortgage is paid off at which time NPDC's participation income sharing drops to 20%. As at March 31, 1990, participation income is nil. A recent consultants' projection indicates that the principal will be paid prior to the year 2008.

NPDC receives a base rent of $750,000 per year increasing to $1.8 million once the NPDC mortgage is retired. As at March 31, 1990, the base rent is current.

Parking

The Final Concept and Financial Plan provided that the Corporation's investment should include the construction of 1500 off-street parking stalls. 1913 underground parking stalls have been constructed. 418 stalls are available for apartment block tenants and the balance are available for monthly renters or the public. NPDC manages and receives income from 1,495 of the underground stalls. NPDC also operates and receives income from 55 permanent above ground stalls and 130 temporary surface stalls. In addition, NPDC receives from the Kiwanis Chateau an annual parking rental payment of $26,350, adjusted yearly for an inflation factor. Also, NPDC receives from Fred Douglas Lodge net parking income to repay the funds NPDC advanced to Fred Douglas for the construction of its parking facility. NPDC provided funding to March 31, 1989 totalling $20,696,831 to various developers for the construction of the parking stalls. Exhibit 5 sets out information related to the parking structures.

North Portage Theatre Corporation

North Portage Theatre Corporation (NPTC) is a subsidiary of NPDC. The objective of NPTC is to undertake the development and operation of the IMAX theatre within the Portage Place Retail Complex and the production and marketing of a Manitoba film which will be an integral part of the theatre and further distributed for world-wide showing.

Funding of this project is represented by:

- Repayable loans:
  - NPDC * $1.8 million
  - Manitoba Development Corporation ** $1.8 million

  $3.6 million
- Grants:
  - Destination Manitoba and the Canada-Manitoba (1985) Tourism Development Agreement $3.9 million

  $7.5 million

* non-interest bearing advances that are repayable in annual amounts equal to one-third of theatre and film rental revenue.

** non-interest bearing to NPTC, repayable based on one-third of theatre and film rental income. Department of Finance advanced funds from Manitoba Jobs Fund monies to the Manitoba Development Corporation to provide the loan to NPTC. The Department of Urban Affairs pays the Department of Finance the interest on the Manitoba Jobs Fund advances provided to Manitoba Development Corporation

Prairie Theatre Exchange

The Prairie Theatre Exchange is a 25,000 square foot facility on the third level of Portage Place Mall. The facility includes a 378 seat theatre along with an attendant workshop classroom studio and related support facilities. Funding for this facility was as follows:

- Under the Core Area Renewed Agreement, the three levels of government provided a grant of $1 million.
- The Department of Urban Affairs provided a grant of $1 million.
- Private fundraising of $1 million.

NPDC provided the support structure and shell space for the PTE premises under its contract with Cadillac Fairview (as heretofor described) and leases the space to PTE for one dollar.

NPDC

Exhibit 6 is a draft of NPDC's March 31, 1989 financial statements. The more pertinent information set out in the financial statements includes:

Cash and short term investments	$4,648,715
Properties, net of amortization	$33,061,799
Mortgage and loan advances outstanding	$35,727,555
Borrowings outstanding (authorized $20,000,000)	$0
Shares, issued and fully paid - 3 common shares	$3
Contributed surplus	$70,999,997
Retained earnings	$4,543,082

Value of Place Promenade Complex Compared to Equity and Debt Attached to the Asset

Exhibit 7 is the declaration of final costs provided by VAPP. Exhibit 8 compares the declared final costs with the original estimate by VAPP, the declaration of costs as per the escrow trust final draw certificate and CMHC's reported lending value. The declared final costs of $29.1 million is $0.8 million greater than the estimated cost of $28.3 million.

We met with representatives of VAPP, their solicitors and their auditors. The purpose of the meeting was to secure information pertaining to the costs related to the construction of Place Promenade and to discuss other matters. VAPP also provided audited financial information regarding the costs of construction of Place Promenade.

Discussions with representatives of VAPP, a review of VAPP's audited financial information, the City's revised permit valuation, the City's Assessment Branch assessment and CMHC's lending value supported the final declared costs of $29.1 million.

Per agreement, VAPP's equity investment was $3 million. VAPP was required to place this amount into the escrow trust. The $3 million was to be paid out on project costs prior to the release of any mortgage funds.

The equity investment was related to the apartment complex. However, the complex also included parking structures, commercial space, public areas and amenities, etc. In addition, funding was provided from MHRC, CMHC and NPDC for the various aspects of the complex. Also, there was no one overall system in place to segregate the costs of the various aspects. Therefore, in reviewing the equity investment we had to review the costs of the complex in total.

The final declared cost of $29.1 million less the funding of $26.7 million provides a calculated implied equity investment of $2.4 million. In addition, VAPP also forfeited $2 million that remained in the escrow trust for the construction guarantee.

As mentioned, the equity investment for the residential or apartment component of the complex was $3 million. MHRC was the lender of the funds for the apartment complex. In their view, the $3 million in equity was achieved when they compare the mortgage funds advanced of $18.5 million to the total project costs of $29.1 million.

A concern was raised regarding the value of the asset recorded on the building permit. The initial building permit value of Place Promenade was $17,800,000. However, the City has since revised this upwards to a tentative value of $27,141,000 based on a new valuation system the City initiated in 1989. This valuation has not yet been finalized, pending a review with the contractor. The valuation for the purpose of the building permit is based on total monetary worth of all construction work. It does not include professional fees for architects, engineers, developers or other soft costs. Per the declared final costs by VAPP, the construction cost was $23,083,750. VAPP's representatives advised that they considered the estimate of $17,800,000 to be in accordance with the City's by-laws for building permits at the time the application was made. They indicated that this was a preliminary estimate of the construction costs and provided for only those costs that were generally included at that time for building permit purposes.

The City's Assessment Branch has valued Place Promenade at $27,458,000. It must be remembered that both the permit valuation and the Assessment Branch assessment are estimates.

Exhibit 9 details the City's building permit process.

CMHC officials advised us that in their view a quality building has been constructed. At the outset of the project, conditions were favourable for this venture. The average apartment vacancy rate in the City was less than 1%. By October 1989, the average vacancy rate in the City was about 6.5%, a six year high, with the downtown area averaging an 11% vacancy rate. CMHC officials also advised that in October 1989, there were reports of some long standing buildings running at a 20% vacancy rate. During the period under review, vacancy rates at Place Promenade were significantly in excess of this amount. Per CMHC officials, as of April 1990, the average vacancy rate for the City has improved to 5.7%. CMHC officials further advised that they have confidence in the long-term viability of this project.

Decision Making Process

The Corporation used consultants to assist its staff in analyzing the initial developer submissions. The Board of Directors approved staff recommendations for developers. The shareholders received copies of the information provided to the Board of Directors on the review of developer submissions. They also received status reports on the development activity in the North Portage Area.

As previously mentioned, before the start of construction of the residential complex companies within The Imperial Group of Companies were placed in receivership. Subsequently, some of the principals of the former company, formed The Village at Portage Place Housing Ltd. to work to re-instate the project. To avoid changes in the concept developed and additional delays in the redevelopment of North Portage, NPDC desired to retain VAPP as developer of Place Promenade. They had spent over a year

working with the initial developer on the plans for the Place Promenade Complex. MHRC was reluctant to fund this project because of the receivership action, but agreed to if CMHC insured the mortgage. CMHC agreed to insure this mortgage with the approval of its regional and national offices. NPDC's Board of Directors approved VAPP as the developer, on condition that the $6 million escrow funds provided by VAPP as security for the project and held in trust were also subject to forfeiture should VAPP default on any of its agreements with NPDC. The Shareholders were advised of the decision to proceed with VAPP. ERIC and Cabinet approved the MHRC mortgage to VAPP.

All of the major developments in the North Portage area contain residential or commercial space and parking. The developers hired individual contractors for the construction of their development. NPDC did not select the contractors but held meetings with the developers concerning the selection of contractors.

As per the Unanimous Shareholders' Agreement, NPDC was an arms length corporation. The three levels of government appointed the Board of Directors. All decisions were made by the Board of Directors based on detailed information and recommendations from staff. Staff was assisted by legal counsel and consultants. Cabinet approved the mortgage to the Imperial Group and then to VAPP. The decision for NPDC to take over control of Place Promenade was made by the Board of Directors and the shareholders were briefed on this decision. The shareholders were informed of all major decisions. Discussions with Board members, Provincial shareholder representatives and a review of the Board minutes and shareholder minutes led us to the conclusion that decisions were made based on detailed information and circumstances at the time decisions were made.

The residential housing in the North Portage redevelopment has not operated at a level initially expected. There are many reasons for this including a down turn in apartment rentals because of conditions favourable for the purchase of private dwellings and the failure to rent commercial space in Place Promenade. These matters were not foreseen at the time decisions were made.

Investment Practices and Procedures

The loans made to VAPP by MHRC and CMHC were on a the same basis as other similar loans these corporations make.

Funding provided was in the form of mortgages. The mortgages were secured by leasehold rights and other forms of security such as assignments of rentals etc. For the MHRC Rental Start mortgage to VAPP, VAPP placed $6 million into an escrow trust. Per CMHC officials, this was the best form of security. MHRC only provided the mortgage when CMHC agreed to insure the mortgage. In order not to jeopardize the insurance, MHRC, based on legal advice, had CMHC play the lead role regarding all aspects of the mortgage. CMHC approved all mortgage advances. As per the mortgage agreement, CMHC received architect certificates which certified the completion of the work. CMHC also received reports from the developer's consultants to verify that construction met the structural, engineering and electrical standards. CMHC's technical inspectors were on the construction site weekly and verified the percent of work completed. NPDC also had a staff project manager monitor the project. NPDC released advances on its mortgages based on architect certificates.

Agreements allowed NPDC to use their own auditors to verify information. However, NPDC's analysis of information supplied from the developers professional consultants

were deemed to be sufficient and this action was not considered to be warranted.

Recommended Improvements for Financial Reporting and Accountability of Public Funds

It is important to note that NPDC, MHRC and CMHC all had different mandates under which they were operating. NPDC's mandate was to develop North Portage. MHRC was a lender which provided funding for the residential housing aspect of the development. CMHC insured the MHRC mortgage and provided other funding to the Place Promenade project. There was no one agency with overall control of the project. NPDC, although having access to much of the information, did not have control of the aspects related to the MHRC or CMHC mortgages. Similarly MHRC and CMHC, while controlling the major funding aspects, did not have access to the development agreements, etc.

The issue regarding ultimate responsibility for the control of projects such as this, where there are many different levels of authority involved, was a concern of many of the officials with whom we talked. NPDC is operated by a Board of Directors. The Board of Directors are responsible to the three shareholders of NPDC, being the three levels of Government. Funds were provided through NPDC, MHRC and CMHC. MHRC has in the past reported to a Minister responsible that has been different from the Minister responsible for NPDC (the Province's shareholder representative). In addition, we note that ERIC and Cabinet were involved in approving the MHRC mortgage.

One of the concerns of the Minister of Finance, the Minister of Urban Affairs and Members of the Legislative Assembly was whether there was an appropriate accountability to the Legislative Assembly for the funds provided to NPDC for its operations.

To attempt to address this question, we considered what accountability has been provided to the Legislative Assembly. We then considered whether this compared favourably to accountability provided to other levels of government which are partners in this venture. We also considered whether the accountability seemed to be reasonable and if is it in keeping with the general standards of accountability for the expenditure of public funds.

In the course of considering this matter we reviewed other entities funded from public funds and their financial reporting and accountability mechanisms.

The general expectation is that the Legislative Assembly be provided with financial reporting and accountability as to the use of funds it has provided. The reporting and accountability may be directly to the Legislative Assembly or, as is often the case, to a committee of the Legislative Assembly.

Our belief has been and continues to be that the Legislative Assembly has the right and responsibility, after having authorized expenditures of public money, to oversee the expenditure of funds and to hold the entity spending the authorized funds accountable for the expenditure. In discharging this responsibility, the role of the Legislative Assembly basically is to hold both the government, through the minister responsible, and the entity spending the funds accountable for achieving the policy objectives delegated to them. As part of the regular machinery of government, each entity should provide suitable information regarding their operations to the Legislative Assembly in a comprehensive and meaningful way.

In this particular instance, we believe that the needs of the Legislative Assembly could be served if arrangements were made to have officials of NPDC report to the shareholder at

a suitable committee of the Legislative Assembly. An annual report could be supplied to the Members who could direct questions to the Minister responsible. The Minister responsible could respond, obtain the information from an appropriate official, or if he/she considered it appropriate, request that an official of the entity respond on his/her behalf.

One of the shareholders in NPDC is the City of Winnipeg. Because of its different organizational structure, the shareholder in this instance is City Council. The NPDC Chairperson provides financial reporting and accountability to the Executive Policy Committee of City Council. This seems to be a reasonable approach and we see no reason why similar reporting could not be arranged in the manner indicated above to a committee of the Legislative Assembly, through the Minister responsible.

We consider accountability to the Legislative Assembly particularly important because NPDC recovers and retains revenues and incurs expenditures which are not subject to legislative approval.

The final concept and financial plan for the North Portage redevelopment required the development of a plan for Phase 2 of the redevelopment. This Phase 2 plan has not been developed as yet.

The shareholders agreement had a provision for a review of NPDC after 5 years. This has not been done to date as none of the levels of government have requested this review. We suggest that it might now be an appropriate time to consider this review.

NPDC's organization structure is such that all three levels of government are shareholders. This may have been most appropriate during the significant redevelopment of North Portage. The continuation of the present organization structure or the transfer of the operations to a particular level of government may be a matter for consideration.

Office of the Provincial Auditor

July 26, 1990

Interviews

Minister of Urban Affairs (Responsible for NPDC)

Minister of Finance

Deputy Minister of Urban Affairs

Deputy Minister of Housing and Vice Chairperson of MHRC

Deputy Minister of Finance

Opposition Critic

Legal Counsel Assisting Opposition Critic

Former Ministers Responsible for NPDC

Former Minister of Housing

Chairperson, NPDC

Three Board Members, NPDC

President and CEO, NPDC

Senior Executive Officer, NPDC

Senior Financial Officer, NPDC

Consultant to NPDC

Auditors of NPDC

Legal Counsel for NPDC

Legal Counsel for MHRC

Executive Director Support Services, Department of Housing and MHRC

Director, Mortgage Services, Department of Housing and MHRC

Representatives of CMHC

Deputy Director, Manitoba Securities Commission

Representatives of Village at Portage Place

Architects for the Place Promenade Complex

Auditors of Village At Portage Place

Solicitors for Village at Portage Place

Manager, Building Permit Sections, City of Winnipeg

Representative of Assessment Branch, City of Winnipeg

Former Security Guard at Place Promenade

Former Vice President of Imperial Group and VAPP

Property Managers, Place Promenade

NORTH PORTAGE DEVELOPMENT CORPORATION
FIVE YEAR DEVELOPMENT PLAN
COMMENCING JANUARY 1, 1984

Exhibit 2

PROJECT	STATUS 1984	STATUS 1985	STATUS 1986	STATUS 1987	STATUS 1988	STATUS 1989	STATUS CURRENT	COMMENTS
CORPORATION ACTIVITIES:								
Assemble and prepare land	in progress	in progress	in progress	in progress	in progress	in progress	in progress	major settlement with TD BANK outstanding
Improve roadways and other municipal infrastructure components	in progress	in progress	in progress	completed				
Construct 1500 off street parking stalls		in progress	in progress	partly completed	fully completed			1913 undeground stalls, 1495 of the stalls are managed by NPDC.
Construct weather protected walkways			in progress	in progress	completed			others completed as new structures built
PRIVATE SECTOR ACTIVITIES:								
Construct 200,000 sq. ft. retail mall	proposal request	in progress	in progress	Portage Pl. opened				
Residential component of 1300 units with provision for seniors housing and admin. centre	proposal request	in progress	in progress	units 161	units 467			administration centre not developed Place Promenade 376 units Kiwanis Chateau 122 units Fred Douglas Lodge 130 units
Office space of 200,000 sq.ft		in progress	in progress	One Canada Ctr. opened				
Major hotel							in progress	Zoning stage will use east pad
Urban village to consist of residential facilities with associated retail/service units		in progress	in progress	in progress	completed			
Union centre	***							Not developed in North Portage Area
INSTITUTIONAL & PUBLIC SECTOR ACTIVITIES:								
Science Place Canada	completed							
Science centre (replaced by IMAX Theatre)				completed				
YMCA redevelopment							in progress	
Community improvements north Ellice	continuing	continuing	continuing	continuing	continuing	continuing	continuing	continuing upgrade of area
Royal Wpg. Ballet facility (replaced) by Prairie Theatre Exchange)						completed		

Exhibit 2-1

NORTH PORTAGE DEVELOPMENT CORPORATION
CAPITAL PROGRAM

		Final Concept and Financial Plan, March, 1984	Original Capital Budget	Spent to March 31, 1990	Projected Total Expenditure
1.	Land Assembly	$25,000,000 - $39,000,000	$30,600,000	$28,795,419[1]	$35,880,000[1]
2.	Public Amenity Space	$13,000,000	$11,895,000	$11,746,000	$11,950,000
3.	Parking	$14,000,000[2] - $15,000,000	$22,944,000[3]	$21,472,022	$22,775,000[4]
4.	Roadways & Infrastructure Imp.	$ 6,400,000 - $ 8,900,000	$ 8,220,000	$ 7,202,187	$ 8,265,000
5.	Other - IMAX, YM/YWCA, PTE, Misc. & Future Improvements Legal on Development	-	$ 2,341,000	$ 2,944,360	$ 3,296,000[5]
		$58,400,000 - $75,900,000	$76,000,000	$72,159,988	$82,166,000[6]

1. Includes interest on property appropriation settlements.
2. Estimate based on 1500 parking stalls, part underground at $12,000/stall, part aboveground at $6,500/stall for an average cost to NPDC of $10,000 /stall.
3. Budget based on 2100 parking stalls, all underground, at an average of $11,000/stall.
4. Cost based on 2075 parking stalls, 2020 underground, 55 aboveground at average cost to NPDC of $11,000/stall, plus an additional 130 temporary surface parking stalls.
5. This includes $600,000 for purchase of YM/YWCA existing property, not previously budgetted.
6. This cost maintains the Corporation well within its financing authorization of $71 million in capital contributions and a maximum of $20 million in borrowing.

NORTH PORTAGE DEVELOPMENT CORPORATION
DETAILS OF RESIDENTIAL PROPERTIES

RESIDENTIAL	SQUARE FEET	SUITES	DEVELOPER	CONTRACTOR	ARCHITECT
PLACE PROMENADE					
BUILDING "B" (3 Stories)	33,082	27	The Village at Portage Place Housing Ltd.	Galcor Construction (Manitoba) Ltd. (foundation only)	Ikoy
BUILDING "C" (13 stories)	137,456	120			
BUILDING "D" (20 Stories)	240,840	166		NorPor Construction Ltd. (remainder)	
BUILDING "F" (6 Stories)	30,673	41			
BUILDING "G" (3 Stories)	18,108	22			
COMMERCIAL/PUBLIC	53,527				
PARKADE (2 Levels)	182,121				
Total Place Promenade	695,807	376			
KIWANIS CHATEAU (18 stories)	169,192	122	Leisure Residences (Chateau) Inc.	Eriksdale Construction Ltd.	Friesen Tokar, Reynolds, Rhoda, Neufeld
COMMERCIAL/PUBLIC	14,566				
PARKADE	41,820				
Total Kiwanis Chateau	225,578	122			
FRED DOUGLAS LODGE (17 Stories)	168,832	130	Qualico Developments Ltd.	V. K. Mason Construction Ltd.	MMP Architects
COMMERCIAL/PUBLIC	27,057				
PARKADE	17,530				
Total Fred Douglas Lodge	213,419	130			
Total	1,134,804	628			

NORTH PORTAGE DEVELOPMENT CORPORATION
DETAILS OF OTHER PROPERTIES

PROPERTY	SQUARE FEET	DEVELOPER	CONTRACTOR	ARCHITECT
PORTAGE PLACE (shopping mall)	388,200	Cadillac Fairview	Jackson-Lewis	Smith Carter
PARKADE	434,567			
Total Portage Place	822,767			
ONE CANADA CENTRE (19 Story Office Space)	252,000	Investors Syndicate Property Corp.	PCL Constructors Western Inc.	Number 10 Architectural Group
PARKADE	79,300			
Total One Canada Centre	331,300			
Total	1,154,067			

NORTH PORTAGE DEVELOPMENT CORPORATION
SCHEDULE OF PUBLIC FUNDING PROVIDED FOR THE NORTH PORTAGE DEVELOPMENT
DATA AS AT MARCH 31, 1989

PROJECT	PURPOSE	APPROVED FUNDING	PAID	INTEREST RATE	DETAIL OF REPAYMENT TERMS
Place Promenade Residential Housing Complex					
Mortgages					
North Portage Development Corporation	Parking	1,278,400	1,278,400	9.75%	Repayable over 25 years, starting Sept. 1987
North Portage Development Corporation	Retail development	600,000	552,000 *	11.50%	Repayable over 5 years
North Portage Development Corporation	Parking	2,680,000	2,637,382 *	9.75%	Principal due on expiration of parking structure sublease
					Interest offset by parking rental charge to NPDC
Manitoba Housing and Renewal Corporation	Residential Housing	18,500,000	18,500,000	8.50%	7 year term renewable for further 5 years
Canada Mortgage and Housing Corporation	Residential Housing	3,600,000	3,600,000	.00%	Repayable after 15 years, may be renewed for further 20 years at prevailing interest rates
		26,658,400	26,567,782		
Grants					
North Portage Development Corporation	Pedestrian overpass	185,000	79,461 *		Not repayable
North Portage Development Corporation	Underground Link Parking	65,681	62,390 *	n/a	Not repayable
North Portage Development Corporation	Underground Services	67,500	43,506 *	n/a	Not repayable
		318,181	185,357		
Total Place Promenade		26,976,581	26,753,139		
Kiwanis Chateau - Mortgages					
North Portage Development Corporation	Parking	1,479,144	1,469,825	.00%	non-repayable
Manitoba Housing and Renewal Corporation	Residential Housing	6,381,396	6,213,070	7.375%	renewable every 5 years for 35 year term
Total Kiwanis Chateau		7,860,540	7,682,895		$921,153 forgiveable at end of term
Fred Douglas Lodge - Mortgages					
North Portage Development Corporation	Parking	200,000	192,347	.00%	repayable from net parking income
Manitoba Housing and Renewal Corporation	Residential Housing	7,977,191	7,977,191	8.00%	renewable every 5 years for 35 year term
					$997,274 forgiveable at end of term
		8,177,191	8,169,538		
Grants					
North Portage Development Corporation	Overpass	160,000	156,700	n/a	
North Portage Development Corporation	Garbage Enclosure	16,000	15,000	n/a	
		176,000	171,700		
Total Fred Douglas Lodge		8,353,191	8,341,238		

NORTH PORTAGE DEVELOPMENT CORPORATION
SCHEDULE OF PUBLIC FUNDING PROVIDED
FOR THE NORTH PORTAGE DEVELOPMENT
DATA AS AT MARCH 31, 1989

PROJECT	PURPOSE	APPROVED FUNDING	PAID	INTEREST RATE	DETAIL OF REPAYMENT TERMS
One Canada Centre - Mortgage					
North Portage Development Corporation	Parking	2,518,877	2,518,877	nil	Deemed to be satisfied at expiration of lease
Portage Place Retail Complex - Mortgages					
North Portage Development Corporation	Parking	12,600,000	12,600,000		
North Portage Development Corporation	Foundation/Shoring	8,900,000	8,900,000		
North Portage Development Corporation	Overpasses	1,250,000	1,250,000		
North Portage Development Corporation	Overpasses	1,250,000	1,250,000		
North Portage Development Corporation	General Site	3,000,000	3,000,000		
Total Portage Place Retail Complex		27,000,000	27,000,000	5.00%	Repayable from net participation income, interest does not accrue on unpaid interest
North Portage Theatre Corporation					
Loans					
North Portage Development Corporation	Theatre and Film Production	1,800,000	1,800,000	.00%	Repayable from theatre and film rental revenue
Manitoba Development Corpotation	Theatre and Film Production	1,800,000	1,800,000	.00%	Repayable from theatre and film rental revenue
		3,600,000	3,600,000		
Grants					
Destination Manitoba and the Canada-Man. (1985) Tourism Development Agreement	Theatre and Film Production	3,900,000	3,900,000	n/a	
Total North Portage Theatre Corporation		7,500,000	7,500,000		
Prairie Theatre Exchange					
Grants					
Three level of government - Core Area	Construct facility	1,000,000	1,000,000		
Department of Urban Affairs	Construct facility	1,000,000	1,000,000		
		2,000,000	2,000,000		
Total Funding Provided		82,209,189	81,796,149		

* funds held back pending completion of work

NORTH PORTAGE DEVELOPMENT CORPORATION
SCHEDULE OF PUBLIC FUNDING PROVIDED
FOR THE NORTH PORTAGE DEVELOPMENT
DATA AS AT MARCH 31, 1989

PROJECT	PURPOSE	APPROVED FUNDING	PAID	INTEREST RATE	DETAIL OF REPAYMENT TERMS
SUMMARY:					
North Portage Development Corporation					
Mortgages		35,756,421	35,648,831		
Grants		494,181	357,057		
Loans		1,800,000	1,800,000		
Total		38,050,602	37,805,888		
Manitoba Housing and Renewal Corporation					
Mortgages		32,858,587	32,690,261		
Canada Mortgage and Housing Corporation					
Mortgages		3,600,000	3,600,000		
Manitoba Development Corporation					
Loan		1,800,000	1,800,000		
Destination Manitoba and the Canada-Manitoba (1985) Tourism Development Agreement					
Grant		3,900,000	3,900,000		
Three levels of Government - Core Area					
Grant		1,000,000	1,000,000		
Department of Urban Affairs					
Grant		1,000,000	1,000,000		
TOTAL FUNDING PROVIDED		82,209,189	81,796,149		

NORTH PORTAGE DEVELOPMENT CORPORATION
PARKING STRUCTURES
MARCH 31, 1989

Exhibit 5

ORGANIZATION	AREA	PARKING SPACES	PARKING SPACES MANAGED BY NPDC	ARCHITECTS ESTIMATE	APPROVED FUNDING	FUNDS ADVANCED	EQUITY ESTIMATED	COST PER SPACE	PARKING REVENUE
PLACE PROMENADE	Upper level	250	0	3,020,880	1,278,400	1,278,400	1,742,480	12,084	0
PLACE PROMENADE	Lower level	250	250	2,680,000	2,680,000	2,637,382	42,618	10,720	40,265
PLACE PROMENADE	TOTAL	500	250	5,700,880	3,958,400	3,915,782	1,785,098	11,402	40,265
KIWANIS CHATEAU	Underground	120	0	1,679,144	1,479,144	1,469,825	209,319	13,993	0
FRED DOUGLAS	Underground	48	0	638,174	200,000	192,347	445,827	13,295	0
ONE CANADA CENTRE	Underground	185	185	2,518,877	2,518,877	2,518,877	0	13,616	134,513
PORTAGE PLACE	Underground	1,060	1060	12,600,000	12,600,000	12,600,000	0	11,887	1,163,861
TOTAL PARKING AVAILABLE		1,913	1,495	23,137,075	20,756,421	20,696,831	2,440,244		1,338,639
AVERAGE								12,095	

Note: In addition to the above underground parking there are 55 permanent and 130 temporary aboveground parking stalls.

NORTH PORTAGE DEVELOPMENT
CORPORATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 1989

Coopers
&Lybrand

Coopers
& Lybrand

chartered accountants

2300 Richardson Building
One Lombard Place
Winnipeg Manitoba
Canada R3B 0X6

telephone (204) 956-0550
cables Colybrand
fax (204) 944-1020

a member firm of
Coopers & Lybrand (International)

May 9, 1989

AUDITORS' REPORT TO THE DIRECTORS

We have examined the non-consolidated balance sheet of the North Portage Development Corporation as at March 31, 1989 and the non-consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these non-consolidated financial statements present fairly the financial position of the corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, except that they are prepared on a non-consolidated basis as explained in note 2, applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

NORTH PORTAGE DEVELOPMENT CORPORATION

BALANCE SHEET AS AT MARCH 31, 1989

	1989 $	1988 $
A S S E T S		
CURRENT ASSETS		
Cash and short-term investments	4,648,715	12,575,214
Accrued investment income	202,095	43,892
Accounts receivable	113,022	82,539
Prepaid expenses	57,775	27,757
	5,021,607	12,729,402
FIXED ASSETS (note 3)	151,988	153,045
INVESTMENT IN SUBSIDIARIES (note 4)	1,001	1,001
DUE FROM SUBSIDIARY (note 4)	1,785,422	1,800,000
NORTH PORTAGE PROPERTIES (note 5)	33,061,799	28,804,217
DEFERRED DEVELOPMENT COSTS (note 6)	1,744,546	1,844,154
MORTGAGE AND LOAN ADVANCES (note 7)	35,727,555	35,409,554
	77,493,918	80,741,373
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,950,836	6,014,141
S H A R E H O L D E R S' E Q U I T Y		
CAPITAL STOCK		
Authorized - Unlimited number of common shares		
Issued and fully paid - 3 common shares	3	3
CONTRIBUTED SURPLUS (note 1)	70,999,997	70,999,997
	71,000,000	71,000,000
RETAINED EARNINGS	4,543,082	3,727,232
	75,543,082	74,727,232
	77,493,918	80,741,373

SIGNED ON BEHALF OF THE BOARD

_____
Director

_____
Director

Coopers & Lybrand

NORTH PORTAGE DEVELOPMENT CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 1989

	1989 $	1988 $
REVENUE		
Interest income	941,251	1,106,095
Rental income (note 5)	197,480	168,312
Parking garage income	1,338,639	522,822
Lease income	1,071,447	519,202
Miscellaneous income	26,968	33,041
	3,575,785	2,349,472
EXPENSES		
Directors' fees	25,127	28,627
Depreciation	12,945	16,377
Legal and audit	18,788	29,284
General and office	79,952	81,246
Occupancy costs	81,651	77,501
Other professional services	-	3,621
Salaries and benefits	358,315	315,144
Utilities	11,086	14,726
Rental expenses	215,515	175,417
Interest	112,150	-
Parking garage expenses	1,326,376	506,762
	2,241,905	1,248,705
INCOME FOR THE YEAR BEFORE AMORTIZATION	1,333,880	1,100,767
AMORTIZATION		
Development costs	204,623	97,061
Site servicing costs	313,407	104,399
	518,030	201,460
NET INCOME FOR THE YEAR	815,850	899,307
RETAINED EARNINGS - BEGINNING OF YEAR	3,727,232	2,827,925
RETAINED EARNINGS - END OF YEAR	4,543,082	3,727,232

The following item is included in parking garage expenses:

Depreciation	39,175	21,075

Coopers & Lybrand

NORTH PORTAGE DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1989

	1989 $	1988 $
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income for the year	815,850	899,307
Add: Expenses not requiring cash -		
Depreciation	52,120	37,452
Amortization	518,030	201,460
	1,386,000	1,138,219
Changes in non-cash working capital components -		
Accrued investment income	(158,203)	(18,773)
Accounts receivable	(30,483)	(82,059)
Prepaid expenses	(30,018)	(2,089)
Accounts payable and accrued liabilities	(4,063,305)	4,228,717
	(2,896,009)	5,264,015
CASH PROVIDED BY FINANCING ACTIVITIES		
Shareholders' contributions	-	17,140,000
CASH USED IN INVESTING ACTIVITIES		
Due from subsidiary	14,578	-
Investment in subsidiary	-	(1)
Mortgage advances	(318,001)	(11,264,029)
North Portage properties	(4,570,989)	(2,700,033)
Deferred development costs	(105,015)	(245,825)
Fixed assets	(51,063)	(130,908)
	(5,030,490)	(14,340,796)
NET CASH INCREASE (DECREASE) FOR THE YEAR	(7,926,499)	8,063,219
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	12,575,214	4,511,995
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	4,648,715	12,575,214

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

1. NATURE OF BUSINESS

The Corporation was incorporated on December 13, 1983 under the laws of Manitoba as a community development corporation and commenced operations on that date. Pursuant to Section 149(1)(d) of the Income Tax Act of Canada, the Corporation is exempt from income taxes.

The objective of the Corporation is to provide a mechanism for implementing the redevelopment of the North Portage area. The Corporation shall implement this redevelopment through a combination of investments by the Corporation, the private sector, institutions and governments.

The Corporation is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. The shareholders' agreement commits resources as follows:

	$
From the Government of Canada's Special Capital Recovery Projects Program	22,000,000
From the Province of Manitoba	22,000,000
From the City of Winnipeg	22,000,000
From Program 7 of the Core Area Initiative	5,000,000
	71,000,000

Shareholders' contributions have been received as follows:

	$
Government of Canada	21,999,999
Province of Manitoba	21,999,999
City of Winnipeg	21,999,999
Core Area Initiative	5,000,000
	70,999,997

The Corporation obtains its operating revenue from the following sources:

(a) parking facilities,

(b) land leases with developers of retail, office, housing and other elements, and

(c) interest income from short-term investments and mortgages.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

2. ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared for management purposes. They have not been prepared for general purposes and accordingly, some users may require further information. They have been prepared in accordance with generally accepted accounting principles except that the accounts of the Corporation's subsidiaries have not been consolidated herein. The investment in the subsidiary companies have been accounted for on the cost basis. Consolidated financial statements of the Corporation for the year ended March 31, 1989 have been issued to the shareholders.

(b) Fixed assets, depreciation and amortization

Fixed assets are recorded at cost and depreciation is charged against income using the declining balance method in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives at the following rates:

Office equipment	- 20%
Computer software	- 30%
Computer hardware	- 30%
Parking and Promenade equipment	- 30%

(c) Leasehold improvements

Leasehold improvements are recorded at cost and amortization is charged against income on a straight line basis over a 36 month term.

(d) Other costs and amortization

The Corporation amortizes deferred development costs and certain costs of the North Portage properties on the following basis:

Deferred development costs

Deferred development costs are recorded at cost and amortization is charged against income on a straight line basis over ten years.

North Portage properties

North Portage properties are recorded at cost and amortization is charged against income as follows:

Site servicing costs	- straight line basis over 20 years
Development projects	- straight line basis over 10 years

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

3. FIXED ASSETS

Fixed assets are classified as follows:

	1989			1988
	Cost $	Accumulated depreciation and amortization $	Net $	Net $
Office equipment	60,459	37,073	23,386	29,232
Computer hardware	28,639	16,805	11,834	16,907
Computer software	2,766	2,044	722	1,031
Leasehold improvements	7,274	7,274	-	1,717
Parking and Promenade equipment	176,296	60,250	116,046	104,158
	275,434	123,446	151,988	153,045

4. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is comprised of the following:

	$
North Portage Theatre Corporation	1,000
The Forks Renewal Corporation	1
	1,001

The Corporation has advanced $1.8 million to North Portage Theatre Corporation; these advances are non-interest bearing and are repayable in annual amounts equal to one-third of theatre and film rental revenue. To date, North Portage Theatre Corporation has repaid $14,578.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

5. NORTH PORTAGE PROPERTIES

The cost of the North Portage properties is comprised of the following:

	1989			1988
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Land assembly and demolition	28,028,836	-	28,028,836	25,196,198
Site servicing	4,124,390	273,895	3,850,495	2,639,355
Development projects	1,326,378	143,910	1,182,468	968,664
	33,479,604	417,805	33,061,799	28,804,217

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the North Portage Development Corporation's Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to $27,249,666. This amount is included in land assembly and demolition costs.

The Corporation has subcontracted with various property management companies to perform its obligations as property managers. Rental income of $197,480 is reported with expenses of $215,515.

6. DEFERRED DEVELOPMENT COSTS

Deferred development costs consist of the following:

	1989			1988
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Preliminary planning	771,043	115,657	655,386	732,491
Development program	597,274	87,383	509,891	525,459
Corporate relations	382,519	56,600	325,919	348,608
Implementation	295,394	42,044	253,350	237,596
	2,046,230	301,684	1,744,546	1,844,154

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

7. MORTGAGE AND LOAN ADVANCES AND COMMITMENTS

The Development Program of the Corporation contemplates a total program budget expenditure in excess of $81 million, including interest on property settlements, which is projected to lever approximately $330 million of private and institutional development within the project area. In addition to the commitments made through land expropriation, which are estimated to exceed $35 million, the following contractual commitments have been made to date which in total will require disbursements by the Corporation of approximately $43 million consisting of contributions, advances and expenditures.

(a) Infrastructure

The Corporation has entered into certain development agreements with the City of Winnipeg which designate the Corporation's responsibilities for installing and constructing utilities, roads and other services within the area affected by the redevelopment. The bulk of these costs were incurred during 1986 and 1987 and will continue into 1990.

(b) Portage Place Retail Complex

The Corporation has entered into a development agreement with Cadillac Fairview Corporation Limited for the development of a retail shopping mall. Under the terms of the agreement, Cadillac Fairview has leased land from the Corporation for a 50 year term beginning November 15, 1985 with 5 subsequent renewal periods each of 5 years duration. In addition to the roads and street services improvements required to service the retail complex, North Portage has advanced funds to construct the parking structure, overpasses and connections, support structures for future development as well as public amenities that form part of the retail complex. These advances are secured by a mortgage to be repaid during the period of the lease out of participation income of the retail complex. Most recent projections indicate that no significant principal reductions will occur prior to 1997, but that the principal will be repaid prior to 2008 (note 8).

The Corporation receives base rents which will increase during the lease period. In addition, the Corporation will receive 50% of the Net Participation Income (as defined in the lease agreement) of the retail project towards repayment of the mortgage until the mortgage is repaid, after which its share of net income is reduced to 20%.

At the end of the lease period, the Corporation becomes the owner of the retail complex.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

7. MORTGAGE AND LOAN ADVANCES AND COMMITMENTS (cont'd)

(c) One Canada Centre

The Corporation has entered into a development agreement with Investors Syndicate Property Corporation for the development of an office tower. Under the terms of the agreement, Investors will lease land from the Corporation from the start of construction for a 50 year term with 5 subsequent renewal periods each of 5 years duration. As part of the agreement, the Corporation provided a non-interest bearing loan to fund the actual cost of constructing a parking structure which is operated by the Corporation. This loan will be deemed to be satisfied at the end of the lease. The Corporation will become the owner of the office complex at the end of the lease.

The Corporation has the option on the 20th anniversary of the lease to sell the land to Investors at a price not to exceed $6 million. Investors has the option to buy the parking structure at its original cost, following the sale of the land.

The Corporation receives base rents which will escalate during the term of the lease. In addition, from the 11th operating year, the Corporation will receive as participation income 25% of the net income from space sublet by Investors to third parties.

(d) Place Promenade Residential Housing Complex

The Corporation has entered into a development agreement with The Village at Portage Place Housing Ltd. for the development of residential housing. Under the terms of the agreement, The Village at Portage Place Housing Ltd. leases land from the Corporation for a 49 year term with 5 subsequent renewal periods each of 5 years duration. As part of the agreement, the Corporation is advancing funds to construct the parking structure and certain components of the residential housing. The advances are secured by mortgages and are repayable as follows:

Parking structure mortgage: interest only is payable during the term of the mortgage, and the principal is repayable at the date of termination of the parking structure sublease.

North Portage mortgage: repayable over a 25 year term.

Interim security loan: repayable over a 5 year term.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

7. MORTGAGE AND LOAN ADVANCES AND COMMITMENTS (cont'd)

(d) Place Promenade Residential Housing Complex (cont'd)

The Corporation has also provided funds towards the cost of a pedestrian overpass and certain site servicing.

The Corporation receives base rents and a share of Gross Participation Income during the term of the lease (note 9).

At the end of the lease period, the Corporation becomes the owner of the complex.

(e) Seniors' Housing Complexes

The Corporation has entered into development agreements with The Kiwanis Club of Winnipeg Seniors Building Inc. and Fred Douglas Place Inc. for the development of two non-profit seniors' housing projects. Under the terms of the agreements, each developer leases land from the Corporation from the start of construction for a 50 year term with 5 subsequent renewal periods each of 5 years duration and a sixth subsequent renewal period up to a maximum of eighteen months. As part of the agreements, the Corporation is providing non-interest bearing loans to fund the actual cost of constructing the parking structures.

The funds advanced to The Kiwanis Club of Winnipeg Seniors Building Inc. are non-repayable except for payments of parking rent.

The funds advanced to Fred Douglas Place Inc. are repayable out of net parking income.

The Corporation is also providing funds towards the cost of a pedestrian overpass.

The Corporation commenced receiving base rent from The Kiwanis Club of Winnipeg Seniors Building Inc. on December 1, 1988. These base rents will escalate during the term of the lease.

At the end of the lease periods the Corporation becomes the owner of the complexes.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1989

7. MORTGAGE AND LOAN ADVANCES AND COMMITMENTS (cont'd)

(f) Operating lease

The Corporation is committed to a minimum annual lease payment for its own office premises under an operating lease as follows:

	$
Year ending March 31, 1990	52,675
1991	42,028

8. CONTINGENCY

Under the terms of a mortgage with the Cadillac Fairview Corporation Limited, interest on the outstanding mortgage principal balance is calculated at a rate of 5% per annum, non-compounding, and will accrue until such time as the mortgage is repaid by Cadillac Fairview out of participation income. The balance of accrued interest as at March 31, 1989 is $1,350,000 which has not been recorded in the financial statements due to the uncertainty of the date at which the principal will be repaid.

In addition, the Corporation is required, under the terms of a Development Agreement with Investors Syndicate Property Corporation, to fund the cost of constructing a parking structure beneath One Canada Centre, an office tower. A dispute has arisen over the allocation of construction costs between the parking structure and the office tower. The dispute is going to be heard at an arbitration meeting.

9. SUBSEQUENT EVENT

As a result of default by The Village at Portage Place Housing Ltd., the owner of Place Promenade Residential Housing Complex, in making certain mortgage payments, the Corporation exercised an option under its agreement with The Village at Portage Place Housing Ltd. to assume management of the complex and appointed a property manager to act on its behalf.

As a result of this default, Manitoba Housing and Renewal Corporation, the holder of the 1st mortgage, is now receiving the gross rents from the complex and is responsible to authorize all disbursements. Consequently, the Corporation has not received payments for May and June 1989 amounting to approximately $34,000 relating to its North Portage mortgage receivable (see note 7(d)).

CANADA MORTGAGE AND HOUSING CORPORATION

BORROWER CERTIFICATE OF FINAL COSTS

CANADA RENTAL SUPPLY PLAN

PROJECT DESCRIPTION

CIVIC ADDRESS	LEGAL ADDRESS
400/410/420 Webb Place	1) Parcels C, F, H, AA, BB,
& 44 The Promenade	& CC, Plan 19745, WLTO in RL:
Winnipeg, Man. R3B 3J6	Parish of St. John. 2) Parcel A, Plan 20532, WLT: in RL1, Parish of St. John

The subject project is now substantially completed and the following is a break down of the final costs.

I. LAND ACQUISITION AND SERVICING

1.	Acquisition Price (as approved by CMHC)	$ -	
2.	Legal Service Fees	95,000	
3.	Title Survey and Recording (fee)	75,000	
4.	Servicing	185,000	$ 355,000

II. FEES AND CHARGES

1.	Interest 1st Mortgage	$1,137,500	
	Other	150,000	
2.	Mortgage Insurance Premium	786,250	
3.	Underwriting Fee	95,500	
4.	Taxes during construction	375,000	
5.	Insurance during construction	100,000	
6.	Architect's Fee	1,052,000	
7.	Legal Charges	225,000	
8.	Organization Expense	25,000	
9.	Survey	5,000	
10.	Other (specify)	-	$ 3,951,250

III. STRUCTURES

1.	Building Construction	$ 23,083,750	
2.	Elevator	800,000	
3.	Hard Furniture	50,000	
4.	Stoves	185,000	
5.	Refrigerators	220,000	
6.	Dishwashers	150,000	
7.	Laundry Equipment	-	
8.	Other (specify)		$ 24,488,750

IV. LANDSCAPING AND SITE EQUIPMENT	$ 305,000
V. TOTAL ELIGIBLE COST	$9,100,000
Minus Revenue (Specify)	-
TOTAL COST	$9,100,000

I hereby certify that the above costs represent, to the best of my knowledge, the final cost of the project described herein.

The Village at Portage Place Housing Ltd.

DATE: December 29, 1988

Per: _____
SIGNATURE OF APPLICANT

NORTH PORTAGE DEVELOPMENT CORPORATION
ANALYSIS OF PLACE PROMMENADE COSTS

EXHIBIT 8

Project Cost and Valuations	Borrower Estimate Jun 5/86	Borrower Declaration Per Escrow/Trust Draw Cert Oct 3/86	Borrower Certificate of Final Costs	CMHC Lending Value
Land	2,256,000			2,160,000
Building Structure	24,129,003	23,605,784	24,488,750	25,001,000
Landscaping and Site	237,856		305,000	216,000
Architectural and Engineering Fees	961,188	961,188	1,052,000	
Legal, Interest, Survey Fees, etc.	2,314,323	1,682,302	1,993,000	
Taxes, Insurance, Feasibility Studies		389,000	475,000	
Marketing, Advertising, Promotion		524,800		
Project Management & Development		818,000		
Mortgage Insurance Fees	647,500	786,250	786,250	786,250
	30,545,870	28,767,324	29,100,000	28,163,250
Less: Land	2,256,000	0	0	2,160,000
Total	28,289,870	28,767,324	29,100,000	26,003,250

City of Winnipeg's Building Permit Process

The City of Winnipeg Building By-laws require persons to obtain a building permit prior to the start of construction. The applicant for a building permit provides a declaration to the City for the valuation of the asset. Valuations are based on the total monetary worth of all construction work but do not include professional fees for architects and engineers, developer's fees or other soft costs. The City bases the fee for the building permit on the declared valuation on the application for a building permit.

Before April 1989, the City did not have procedures in place to verify the reasonableness of the value declared on the permit. The City issued the permit and charged building permit fees based on the valuation submitted.

Currently, the City reviews the plans submitted with the application and completes an evaluation of the cost, based on industry standard construction costs. The City uses a computer software package to assist in this evaluation. If the City's review indicates a difference, they request written documentation from the applicant to support the application. This provides an incentive to applicants to file factual information since they wish to receive the permit as soon as practicable and begin work on their project.

The City has gone back and evaluated the costs declared on approximately 100 permits for major construction projects. This review resulted in the collection of additional building permit fees from three applicants. A review of the Place Promenade project (permit data)

through the new valuation process resulted in a value of $27,141,000 compared to the $17,800,000 initial valuation. Building permit fees calculated on the revised permit valuation would result in an additional fee of $46,655. There is no provision in the City By-Law for any penalties to be charged on the additional amount due. The City has initiated discussions with the contractor to review the revised permit valuation. If the contractor agrees to the valuation the City will bill the contractor for the additional fee. It should be noted that while the architect of Place Promenade initiated the permit, it is the responsibility of the contractor to pay the fees. Architects traditionally submit the permit in order to ensure the process is in place. The permit application may be submitted prior to a contractor being named.

The City's Assessment Branch uses the building permits to identify new construction for later assessment review. The Assessment Branch has recently assessed Place Promenade and other complexes in the North Portage Development. Officials of the Assessment Branch stated that the time frame for the assessment fell within their normal time frames. The Assessment Branch has valued Place Promenade at $27,458,000.

Information received from the City's Permit Branch indicates that the City of Winnipeg's current procedures are comparable to the procedures followed by other Canadian cities. We verified this with two other major Canadian cities.